GSS Newsletter

May 2014

Issue 157

Life is full of ups and downs.
We're there for both.

Welcome to UniCredit

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EDITORIAL

MARIUSZ PIĘKOŚ
HEAD OF FOREIGN CLIENTS OFFICE OF GSS POLAND

Dear Clients, Partners, and Friends

It is my pleasure to once again share with you some thoughts in this month's GSS Newsletter Editorial. As usual there are some positive and more challenging news; allow me to start with the latter.

One of the biggest structural changes that will have a long-term impact on the Polish capital market was the mandatory movement of open pension funds assets to the state social system. As a result, 50% of pension funds assets (in practice, all government debt securities) have been passed to the State Treasury to be redeemed. From the future cost of public debt service perspective this change was positive.

What will this change mean for the Polish capital market in the long run? Open pension funds will have fewer assets to be invested. Inflow of premiums will definitely not match the outflow of assets resulting from the mandatory movement of 10% of a member's assets each year before he/she becomes a pensioner. As a consequence, pension funds which were an important investor on the Warsaw Stock Exchange may no longer be able to support long-term market growth especially when taking under consideration that pension funds are now not allowed to invest in any government debt securities.

Local custodians, particularly those who had a large client base from this segment, are likely to suffer too as the change described above will have a long term negative impact on the level of revenues.

The future will tell how these changes will further shape the capital market in Poland.

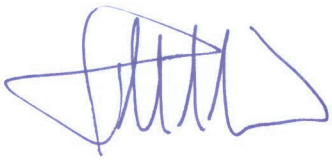
As far as positive changes are concerned, there is good news from Poland too.

We are improving market infrastructure – last year KDPW Trade Repository (KDPW_TR) has been registered by ESMA as one of the first four in EU while KDPW_CCP has been recently authorised as the third clearing house in the EU under EMIR Regulations. It definitely proves that KDPW and entities from the KDWP Group are very determined to build full market infrastructure in line with EU regulations. To be fair, it has to be admitted that we are still waiting for netting and partial settlement to be implemented by KDPW_CCP, which is expected this summer.

After a couple years of local custodians' lobbying effort it seems withholding tax agent duties will be finally moved from local issuers to local custodians and brokerage houses. This change should finally allow for a consistent approach toward tax documentation required to benefit from reduced tax rates at the source. A draft of tax legislation has already been approved by the Polish Government and passed on to the Polish Parliament to complete the legislative process. We are keeping our fingers crossed to have it done and implemented by the beginning of 2015.

I'm convinced all of you are looking forward to the upcoming NeMa Conference and I'm sure you have already booked your tickets to Vienna. It will be nice to see all of you again there, exchange views and experiences, and enjoy evening receptions. At UniCredit GSS we are proud to be the main sponsor of this event and we are looking forward to welcoming you in Vienna soon.

Sincerely yours,



Mariusz Piękoś
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JOHN'S CORNER

JOHN GUBERT ON THE RISK OF LOSS DUE TO EVENTS BEYOND ONE'S CONTROL

Few are really certain how they would prove to regulators that an event that resulted in lost assets to a fund was indeed "beyond their control". With AIFMD and the proposed new UCIT regulations, this has become a critical issue. There is consensus that events such as loss of assets due to cyber fraud at a CSD, or fraud perpetuated within a CSD, fall into this category. Custodians and administrators believe that losses due to operational failings at a CSD or the malfunctioning of a payment system are also such an event. Some believe that use of any piece of mandatory infrastructure, whether within the private or public sector, exempts them from liability as long as the loss was caused by an unforeseeable event within that infrastructure, whose use was driven by the investment of a fund rather than the discretionary choice of an agent. Key, though, is the agreement on the definition of the problematical "unforeseeable".

This appears to be a rational stance. After all, within most markets there is a single CSD and its use is either operationally or legally mandatory for investors in that specific market. In most jurisdictions, the transfer agency record has a specific legal status but there have been examples of transfer agents re-writing registers to the detriment of individual investors. Use of a payment system is also mandatory for many markets, often either a Central Bank managed RTGS system or an industry operated commercial bank money one.

If only the world were that simple! Let me examine each of the three mentioned infrastructures- CSDs, Payment Systems, and Transfer Agents in turn and seek out the nuances that could arise in any dispute over a loss.

The governance of CSDs creates an immediate problem when assessing potential liability. If a firm has an employee on the board of a CSD and that employee signs off risk policies on an annual basis, as is the norm, does that increase the potential exposure by comparison to the firm that is not on the board? If the board agrees limits to the level of liability of a CSD, either from own resources or through caps on insurance coverage, would that impact liability? If a CSD consults its users and no issue is raised of a potential risk, will that influence regulatory positioning?

If CSDs are to continue to be user governed, this issue needs to be clarified. As a former board member of a major CSD and an ICSD (as well as a CCP), I was obliged to operate, not in the best interests of my employer but in the best interests of the entity on whose board I sat. If one accepts the concept of the primacy of the obligations of a board member to the relevant board, then a presence on the board in itself does not create added liability for the employer. But, if a CSD offers, as an example, its user community the option of higher insurance cover at a price which is declined, would a shortfall in the insurance coverage of a future loss be laid at their door? And if a CSD polls its users for, perhaps, dual hot stand-by sites and they decline this option, would those users become liable for outages that could otherwise have been prevented?

Payment systems are normally operated by either the Central Bank or a collective of commercial banks in any country. For one who was already in the industry when same day payments were not the norm in securities settlement, the current delivery versus payment process in most markets looks incredibly robust. Having said that, there is potential for unwinding in many major markets where finality is not achieved at the point of settlement in irrevocable funds. T2S is an interesting case in point. Its DVP process is simultaneous exchange of stock with central bank money with undoubted finality. But users are being offered two models. There is the mandatory use of T2S for eligible stocks settled against payment and the optional use of T2S for other securities including funds. This is not unique to T2S and there are other markets where a central bank money option exists but commercial bank settlement is the market norm.

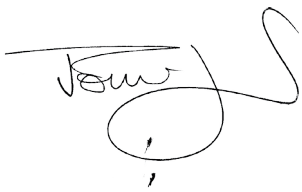
In these cases, where the agreement is to settle in commercial bank money and that results in a loss, would the custodian or administrator be liable if the loss could have been avoided by the use of central bank money? Furthermore, as there is bank governance of many of these payment infrastructures, do we face through them the same risks of contagion mentioned for CSDs?

Transfer agents are perhaps the most difficult segment of the market. They appear to be treated in a similar fashion to sub custodians by both regulation and market approach to due diligence. Yet they are mandatory agents resulting from the choice of investment of a fund. There is a fine line where the custodian or administrator could exercise authority over the transfer agents that are acceptable, and indeed some offshore transfer agents in the alternative sector hardly reflect best governance principles in their modus operandi. The ICSDs, through FUNDSETTLE and VESTIMA, appear to be undertaking careful due diligence and accepting some liability for risk for the funds they admit to their platforms. But the devil is always in the detail and their different legal agreements are unlikely to map the potential liability that can occur under UCIT or AIFMD regulations.

I have long argued for improved guidelines, to ensure that intermediaries understand explicitly the scope of their liability as well as the nature of the risk they assume, so they can manage them appropriately. Regulators are, quite understandably, always tempted to leave the door open to ensure that risks do not end up being funded by the public purse. Intermediaries have understood and accepted the need to ensure enhanced protection of client assets, although as Tim Keaney of BNY Mellon stated in an excellent interview with *Global Custodian* magazine, there needs to be pricing adjustments to accommodate such risks.

And if there is lack of clarity around areas of control, especially in respect of cyber-attack, fraud within infrastructures, or operational outages and other performance failings at those infrastructures, then the premium for risk will need to rise exponentially. The alternative is for intermediaries to have a far greater say in the structure and selection of funds, an unwelcome move which will be especially detrimental to the independent fund sector.

Sincerely yours,



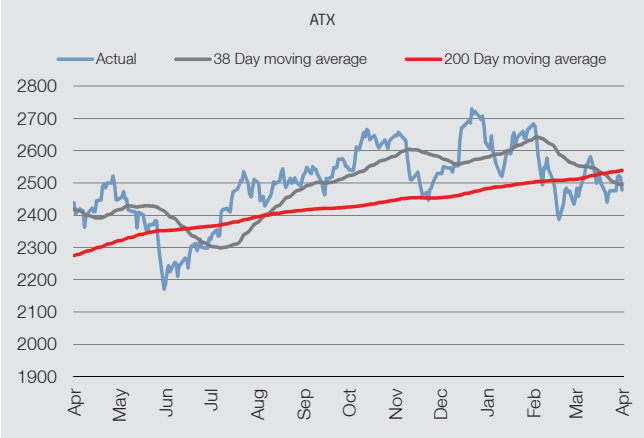
John Gubert
Chairman
Global Securities Services
Executive Committee

John Gubert also appears on blog.globalcustodian.com

AUSTRIA

Market Capitalisation	EUR 88.1bn
YTD Dev. of Market Capitalisation	3.2%
Number of SE Transactions p.m.	n.a.
YTD Dev. of SE Transactions	n.a.
SE Turnover (Vienna SE)	EUR 2.4bn
Monthly Index Performance (ATX/VSE)	-2.5%
GDP per Capita (2014 in EUR)	38,171
GDP Real 2014 (Change against prev. year in%)	2.0
3-Month Money Market Rate (current in%)	0.31
Inflation in 2014 (HVPI yearly average in%)	1.7
Upcoming Holidays	May 1, 29

Source: UniCredit, National Statistics



Source: UniCredit, National Statistics

Trading activity on the VSE picks up in the first quarter

Equity trading on the Vienna Stock Exchange expanded in the first quarter of 2014. The average monthly trading volumes were up by over 46% compared to the same period of the previous year (01–03/2013: EUR 3.26 billion, 01–03/2014: EUR 4.76 billion). At a volume of EUR 4.7 billion in March, equity trading continued the very robust trend of the two preceding months (01/2014: EUR 5.35 billion, 02/2014: EUR 4.23 billion).

The five largest companies on the Vienna Stock Exchange (ATX5) weighed down the performance of the leading index in the first quarter. The reason was mainly the crisis in Ukraine. Finally, in the first week of April the Austrian stock market regained momentum. Analysts forecast the performance upswing to last until the end of the year. Total market capitalisation on the Vienna Stock Exchange stood at EUR 88.07 billion at the end of March.

According to a study carried out on behalf of the Vienna Stock Exchange, the share of free float in Austrian ATX prime stocks increased from EUR 32.4 billion to EUR 38.1 billion at the end of 2013 due to higher demand and higher prices. Institutional investors hold 59.8% of free float, Austrian retail investors 23.1%, and the share of non-financial institutions is 17.1%. A detailed analysis of institutional investors shows that the US regained its leading position (22.8%) followed by institutional investors from Austria (19.3%) and Great Britain (13.7%). Within Continental Europe, demand for Austrian stocks came mainly from institutional investors from France, Norway, Germany, the Netherlands, Poland, and Switzerland.

Impact on investors

For information purposes only.

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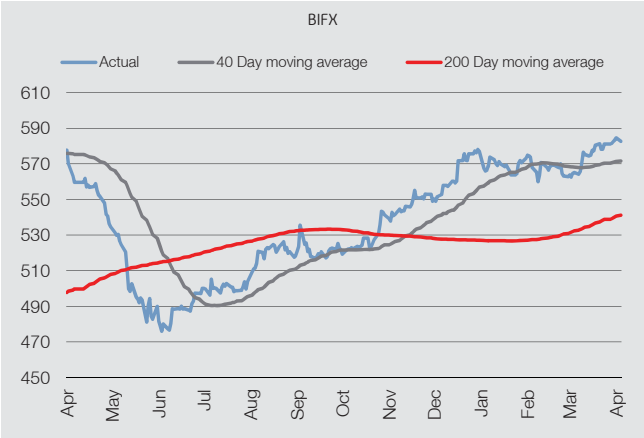
BOSNIA AND HERZEGOVINA

Market Capitalisation (Sarajevo SE)	BAM 4.3bn
YTD Dev. of Market Capitalisation	-8.4%
Number of SE Transactions p.m.	798
YTD Dev. of SE Transactions	6.8%
SE Turnover (SASE)	BAM 57.1mn
Monthly Index Performance (SASX-10/SASE)	0.0%
Market Capitalisation (Banja Luka SE)	BAM 4.0bn
YTD Dev. of Market Capitalisation	-2.8%
Number of SE Transactions p.m.	1,718
YTD Dev. of SE Transactions	-36.1%
SE Turnover (BLSE)	BAM 30.7mn
Monthly Index Performance (BIRS/BLSE)	-6.3%
GDP per Capita (2014 in EUR)	4,125
GDP Real 2014 (Change against prev. year in%)	3.8
3-Month Money Market Rate (current in%)	n.a.
Inflation in 2014 (yearly average in%)	2.4
EUR/BAM	1.96
Upcoming Holidays	May 1, 2, 9

Source: UniCredit, National Statistics



Source: Bloomberg

Current account deficit retreating

The Central Bank of Bosnia and Herzegovina (CBBH) has published data on the balance of payments transactions for 2013. According to these data, the current account deficit amounted to BAM 1.43 billion, which is BAM 947.3 million less compared to 2012.

In this way, the large imbalance in the foreign trade exchange of goods has been significantly corrected compared to the previous two years, when the current account deficit was almost 10% of the GDP, and in 2013 it was reduced to the level of 5.5% of the estimated GDP for 2013.

The current account deficit is primarily influenced by a large imbalance in the foreign trade exchange of goods, amounting to BAM 7.80 billion (related to the balance of payments data) and which decreased by 7.6% compared to 2012 due to the increase in exports and decrease in imports.

Balance of services recorded a surplus amounting to BAM 2.25 billion, an increase of 3.1% over 2012, which was caused by a slight growth in exports of services and accented decline in imports of services.

The surplus in the primary income balance sheet also increased amounting to BAM 512.9 million. The secondary income recorded a surplus, which amounted to BAM 3.60 billion, a decrease of 1.2% compared to 2012, which was caused by a decline in inflow based on foreign pensions, while the foreign inflows remained at approximately the same level as in 2012.

Sufficient inflows of funds from foreign countries, especially within the liabilities item "Other investments", which recorded growth in inflows based on borrowing from abroad, provided financing of the current account deficit. So there was no need for spending the foreign exchange reserves for this purpose, instead, they even recorded an increase.

Impact on investors
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Standard & Poor's affirmed sovereign credit rating

Rating agency Standard & Poor's affirmed the sovereign credit rating of Bosnia and Herzegovina at "B with stable outlook" at the end of March.

S&P previously had affirmed the credit rating on 28 September 2013, and on 27 March 2013. On 28 March 2012, the credit rating at "B" was also affirmed by S&P, but the outlook was revised and changed from "Watch negative" to "Stable".

Impact on investors
For information purposes only.

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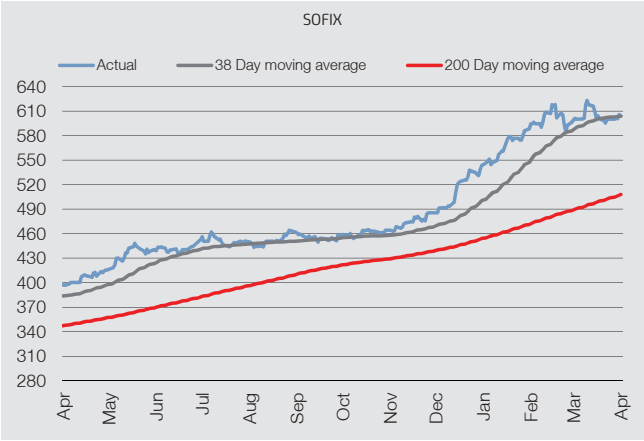
BULGARIA

Market Capitalisation	BGN 11.2bn
YTD Dev. of Market Capitalisation	3.2%
Number of SE Transactions p.m.	35,676
YTD Dev. of SE Transactions	6.1%
SE Turnover (Bulgarian Stock Exchange)	BGN 187.8mn
Monthly Index Performance (SOFIX)	1.0%
GDP per Capita (2014 in EUR)	6,532
GDP Real 2014 (Change against prev. year in%)	4.0
3-Month Money Market Rate (current in%)	0.58
Inflation in 2014 (yearly average in%)	3.5
EUR/BGN	1.96
Upcoming Holidays	May 1, 2, 5, 6

Source: UniCredit, National Statistics



Source: Thomson Datastream

Amendments to the Credit Institutions Act

The Bulgarian National Assembly has approved amendments to the Credit Institutions Act, which were published in the State Gazette at the end of March. The amendments' aim, among others, is to align the act with Directive 2013/36/EC of the European Parliament and of the Council of 26 June 2013 (Directive 2013/36/EC).

The most important changes include:

- Provision that the Bulgarian National Bank (BNB) is the competent supervisory authority for banks in Bulgaria under the EU Capital Requirements Regulation
- Establishment of regular supervisory reviews of banks' rules, strategies, procedures, and mechanisms set to meet the requirements of the Credit Institutions Act and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (Regulation (EU) No 575/2013)
- BNB will conduct stress tests for banks on at least an annual basis
- BNB will be authorised to impose special liquidity requirements for banks if, based on its regular supervisory reviews, the central bank suspects that there are uncovered risks related to liquidity
- BNB will prepare a plan for controlled restructuring of any bank licensed in Bulgaria which can be applied when the bank has financial difficulties
- Authorisation for BNB to disclose information covered by professional secrecy to the Investor Compensation Fund, the European Systemic Risk Board, the European Securities and Markets Authority, in addition to the already existing authorisation with respect to the European Banking Authority
- Introduction of a requirement for banks to establish whistle-blowing procedures for their employees

The above amendments became effective on 28 March 2014.

Impact on investors

The amendments to the Credit Institutions Act aim at further alignment with EU legislation. In addition, BNB will have a wider scope of supervision over banks in Bulgaria, including the authority to conduct regular stress testing.

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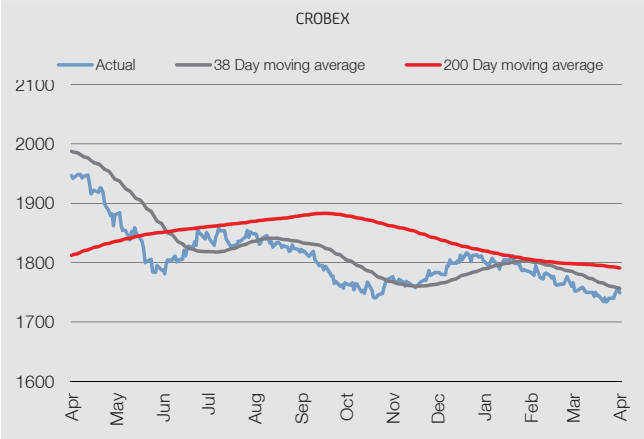
CROATIA

Market Capitalisation	HRK 187.3bn
YTD Dev. of Market Capitalisation	1.9%
Number of SE Transactions p.m.	20,279
YTD Dev. of SE Transactions	-1.1%
SE Turnover (Zagreb SE)	HRK 331.3mn
Monthly Index Performance (Crobex/ZSE)	-2.0%
GDP per Capita (2014 in EUR)	12,552
GDP Real 2014 (Change against prev. year in%)	2.5
3-Month Money Market Rate (current in%)	0.55
Inflation in 2014 (yearly average in%)	2.5
EUR/HRK	7.61
Upcoming Holidays	May 1

Source: UniCredit, National Statistics



Source: Thomson Datastream

Croatia's industrial output up for 2nd straight month

Croatia's industrial production was up in February for the second month in a row, increasing 1.6% year on year, which was more than expected but less than in January.

According to the seasonally adjusted data, industrial output in February fell by 2.8% from January, but was 1.6% higher than in February 2013. The growth rate was slower than in January when industrial production jumped by 2.2% year on year.

In February, too, figures on industrial production positively surprised the market.

Croatia's exports in the first two months of this year increased by 12.1% in comparison with the corresponding period of 2013, while imports rose by 3.2%.

Impact on investors

For information purposes only.

Croatia negotiating FATCA agreement, possible exemptions

As most European Union member states, Croatia has opted to sign an agreement with the US government to advance compliance with tax obligations at the international level and the implementation of the Foreign Account Tax Compliance Act (FATCA) Model 1A, which is based on reciprocity.

The Tax Administration is negotiating with the US Treasury on the signing of the agreement and possible exemptions, which have been proposed for building societies in Croatia.

Under FATCA Model 1A, financial institutions will submit data to Croatia's Tax Administration which will automatically exchange information with the Internal Revenue Service. The Tax Administration will also receive information on Croatian residents who have accounts in US financial institutions.

In February, the Croatian government adopted a decision to launch the signing of the agreement with the US government to advance compliance with tax obligations at the international level and the implementation of FATCA.

The negotiating team comprises representatives of the Finance Ministry, the Tax Administration, the Croatian National Bank, the Croatian Financial Services Supervisory Agency, and the Croatian Foreign Ministry.

If the US Treasury agrees to exempt Croatian building societies from FATCA, preparations to sign the agreement will begin, which must be done by 1 July 2014, when FATCA goes into force.

Impact on investors

For information purposes only.

Croatian CSD officially confirmed the switch to T+2 settlement cycle

Based on a joint agreement of the Zagreb Stock Exchange and Central Depository & Clearing Company (SKDD) to change the standard settlement period from T+3 to T+2, the new standard settlement period (T+2) will come into force starting from 6 October 2014, i.e. the day when 15 other European countries will also start using the same new standard settlement period.

Time table of settlement cycle migration is as follows:

- 3 October 2014 – Last trading day within T+3 settlement cycle
- 6 October 2014 – First trading day within T+2 settlement cycle
- 9 October 2014 – Settlement of two trading days (3 October 2014 and 6 October 2014)

With the change of the standard settlement period, SKDD will adjust the "ex-dividend date". Starting from 10 October 2014 as the "record date", the "ex-dividend date" will be calculated for all corporate actions using the new standard settlement period (T+2).

Impact on investors

For information purposes only.

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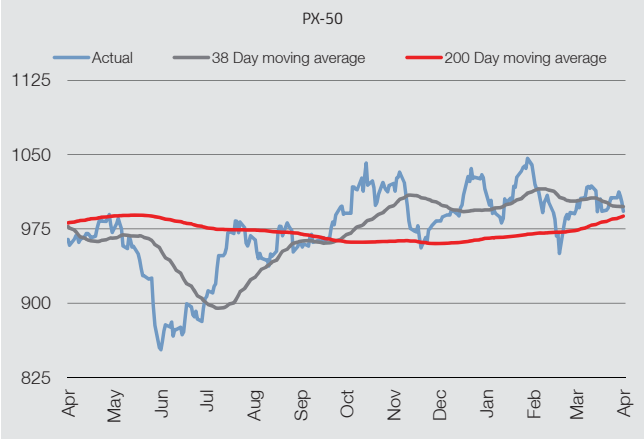
CZECH REPUBLIC

Market Capitalisation	CZK 1.1trn
YTD Dev. of Market Capitalisation	1.9%
Number of SE Transactions p.m.	n.a.
YTD Dev. of SE Transactions	n.a.
SE Turnover (Prague SE)	CZK 42.3bn
Monthly Index Performance (PX)	-0.9%
GDP per Capita (2014 in EUR)	17,264
GDP Real 2014 (Change against prev. year in%)	3.5
3-Month Money Market Rate (current in%)	0.20
Inflation in 2014 (yearly average in%)	2.0
EUR/CZK	27.46
Upcoming Holidays	May 1

Source: UniCredit, National Statistics



Source: Thomson Datastream

CNB keeps interest rates unchanged, confirms exchange rate commitment

The CNB Bank Board decided at its meeting on 27 March 2014 to keep interest rates unchanged. The two-week repo rate was maintained at 0.05%, the discount rate at 0.05% and the Lombard rate at 0.25%.

The CNB Bank Board also decided to continue using the exchange rate as an additional instrument for easing monetary conditions and confirmed the CNB's commitment if needed to intervene on the foreign exchange market to weaken the koruna so that the exchange rate against the euro is kept close to CZK 27/EUR.

The CNB Bank Board repeated that it regards the commitment as one-sided. This means that the CNB has undertaken measures to prevent excessive appreciation of the koruna below CZK 27/EUR by intervening on the foreign exchange market, i.e. by selling koruna and buying foreign currency. On the weaker side of the CZK 27 level, the CNB is allowing the koruna exchange rate to float according to supply and demand on the foreign exchange market.

Impact on investors

Interest rates in the Czech Republic remain at their historical minimum. The CZK/EUR exchange rate will be kept close to the same level.

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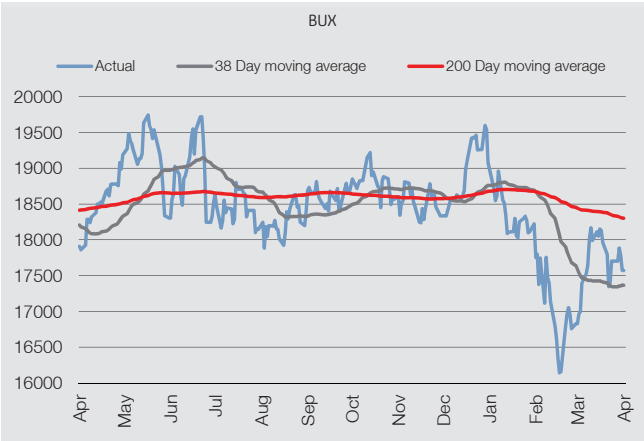
HUNGARY

Market Capitalisation	HUF 17,497bn
YTD Dev. of Market Capitalisation	-1.4%
Number of SE Transactions p.m.	183,882
YTD Dev. of SE Transactions	65.2%
SE Turnover (Budapest SE)	HUF 474,960mn
Monthly Index Performance (BUX)	2.4%
GDP per Capita (2014 in EUR)	13,481
GDP Real 2014 (Change against prev. year in%)	4.2
3-Month Money Market Rate (current in%)	2.19
Inflation in 2014 (yearly average in%)	2.7
EUR/HUF	309.50
Upcoming Holidays	May 1, 2
Extra working day	May 10

Source: UniCredit, National Statistics



Source: Thomson Datastream

KELER's latest news on the T2S project

KELER released an update on the T2S project and significant market developments.

Parallel to the international T2S project; depositories, central banks, and the directly connected participants (DCPs) make their own specifications and developments using the new ISO 20022 message standards.

In the Hungarian project – since the December 2013 NUG meeting – KELER has continued preparations for changing its account management system. Part of this project is the technical development of the KELER systems for the migration in the third wave, in September 2016.

According to the 4th report of the Harmonisation Steering Group (HSG) published in March 2014, the T2S compliance of the Hungarian market is on the right track as several positive changes have appeared in the last report. A significant improvement is that KELER and the National Bank of Hungary could clarify with the European Central Bank and with HSG two important topics: (i) the schedule of settlement day and (ii) handling of settlement finality. In respect of several topics, compliance is either already ensured (5 "blue" statuses) or the Hungarian market will adopt the competency in line with the ongoing KELER system development (7 "green" statuses).

In Hungary, among the items currently measured and tracked by HSG, compliance is not ensured in two segments of corporate action management:

- CA T2S standards: CAs connected with pending settlements
- CA market standards: handling standard CA management processes as per the CAJWG standards

In the first case, the new account management system of KELER will provide a solution for the market (as the new system will comply with the CASG specification) however the topic has a "yellow" status according to HSG because a significantly new market practice will be introduced. In the second case, the status is "red" though this issue has low priority and should not be implemented by the start of T2S.

To briefly sum up the above, the perception of the Hungarian market improved significantly in terms of harmonisation, and ensuring mandatory T2S compliance by the date of accession might not meet with any obstacle.

Building local market's specialities into T2S

Market specific basic data or restriction rule may arise from certain legal regulations that have to be applied in respect of the securities issued and handled by the local depository. In Hungary, e.g. the Civil Code provides the possibility for issuers the restriction of transfer of securities. Thus, there will be a special attribute for this restriction applied by Hungarian issuers and on the basis of the rule defined by KELER, T2S will not automatically execute the instruction, but KELER's preliminary authorisation will be necessary.

So far KELER has defined 8 market specific attributes and restriction rule types (and within the 8 restriction rule types, 18 restriction rules) that are also relevant in the cross-border settlement. KELER will publish these rules at a later stage.

Introduction and unified usage of T2S matching

T2S will apply BIC code based matching. KELER – in agreement with the market – will introduce the T2S matching standards parallel to the autumn 2016 accession.

Considering the different market practices, T2S will introduce supplementary matching criteria alongside the mandatory matching criteria.

As T2S matching criteria will be introduced in the Hungarian market as well, by September 2016 – the date of KELER accession – there will be evaluated experiences about the use of these criteria and KELER will consult with the market participants concerning these experiences.

KELER T2S test preparedness

The European Central Bank has qualified two Network Service Providers. KELER signed an agreement with the international SIA-Colt consortium in February 2014 following a several month long selection/negotiation and contractual period.

As per the agreement, SIA-Colt as supplier will provide the communication connection between T2S and KELER (network, encryption, messaging software, connected infrastructure, etc.), and the relating services. The project is currently in the system planning phase with the aim that the T2S-KELER connection will be operational, in accordance with the expectations of ECB and KELER, by November – December 2014 when completion of the communication tests with ECB will be due.

In the international project the main focus is on testing and preparing for the migration. Following the internal testing in ECB, testing with the markets of the T2S system (that will go live in 15 months) will start in 6 months. As part of the process, KELER has become a member of the User Testing Sub-Group (UTSG) and the Migration Sub-Group (MSG), furthermore, there are regular professional consultations among the depositories joining T2S in the third wave (Clearstream, KELER, LUX CSD, OeKB, VP, VP LUX). The High-Level User Testing Calendar that defines the testing tasks on a weekly basis between 2014 and 2017 will be accepted in April.

Planning of the migration weekends is ongoing and a document summarizing the process of migration and tasks on the migration weekends has been prepared (Detailed Migration Storyline). It is still a question today whether a two day long weekend will be sufficient for the migration of the third and largest wave. Currently, analyses are conducted on this issue which is considered to be a high risk topic.

KELER has started to prepare the detailed test plans (test types, test environment, test scenarios, test cases, test data, etc.). The first slow motion tests on the T2S platform are planned for the beginning of 2015. The next phase, i.e. community testing, will start in spring 2016.

Between autumn 2013 and summer 2014, together with the other depositories, the KELER project team will participate in a training held by ECB. KELER's training plan for the local market will be prepared on the basis of the ECB training materials. KELER then will introduce the operation of T2S in detail for the market participants from the service/functional and technical sides.

User Defined Functional Specification (UDFS) v2.0 market consultation

ECB has submitted for market consultation one of the T2S basic documents, the UDFS 2.0 version, in mid-April. The UDFS document prescribes the operation of T2S, thus it contains valuable knowledge for DCPs.

Remarks in connection with the document can be made until 2 May 2014 through the Change Review Group (KELER is also a member of CRG). KELER provides the opportunity for Hungarian market participants to take part in the local market consultation; comments are accepted until the end of April.

Impact on investors

Perception of the Hungarian market improved significantly in terms of harmonisation and the insurance of mandatory T2S compliance by the date of accession. Preparations for the accession led by KELER and the T2S compliance of the Hungarian market are on the right track in Hungary.

National Bank of Hungary acquired majority ownership in GIRO

GIRO Zrt. (GIRO), the sole operator of the cash clearing system for domestic interbank forint credit transfers and direct debits, is currently owned by several commercial banks, KELER, the Hungarian CSD, and the National Bank of Hungary. The Central Bank has made a successful bid to buy out the key shareholder commercial banks of the GIRO.

As a result of the transaction, 78.12% of the GIRO shares will be owned by the NBH by the end of April. Together with the current 8.09% stake the National Bank of Hungary will control more than 86.21% of Giro Zrt.

Impact on investors

The National Bank of Hungary will become the majority owner of Giro Zrt., the cash clearing system for domestic interbank forint credit transfers and direct debits. The other cash clearing system in Hungary, the VIBER Real Time Gross Settlement system, is also owned (and operated) by the NBH.

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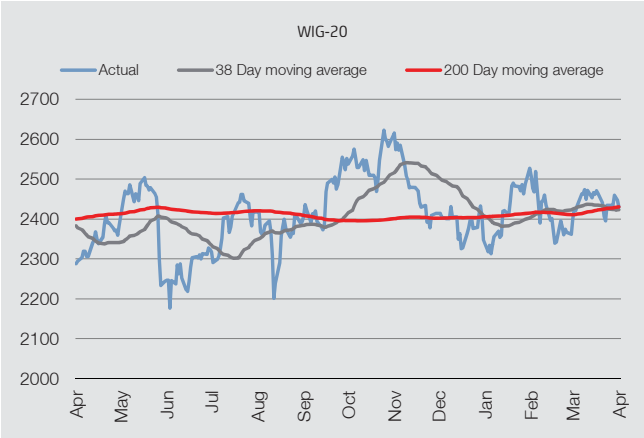
POLAND

Market Capitalisation	PLN 613.4bn
YTD Dev. of Market Capitalisation	3.4%
Number of SE Transactions p.m.	1,520,884
YTD Dev. of SE Transactions	39.6%
SE Turnover (WSE)	PLN 22.7bn
Monthly Index Performance (WIG20)	-2.2%
Monthly Index Performance (WIG)	-2.7%
GDP per Capita (2014 in EUR)	12,294
GDP Real 2014 (Change against prev. year in%)	3.5
3-Month Money Market Rate (current in%)	2.58
Inflation in 2014 (yearly average in%)	3.0
EUR/PLN	4.21
Upcoming Holidays	May 1

Source: UniCredit, National Statistics



Source: Thomson Datastream

Changes to tax regulations

Last month the Polish government approved a draft of amendments to tax regulations, which contains – among others – provisions on the validity of tax certificates provided by non-resident taxpayers and new revised provisions on the collection and settlement of withholding tax on dividend and interest from corporate bonds. The project is not a new initiative, but a continuation of the project that was put on hold last year. The "green light" given by the government means that the changes are more likely to be finally accepted later this year and become effective at the beginning of next year.

The revised tax regulations bring two changes that should ultimately result in the simplification of the withholding tax procedure, especially as far as dividend payments are concerned.

The first one is a change in the entity that is responsible for calculating and deducting the withholding tax on dividend and interest from corporate bonds. Today, issuers of shares or bonds are responsible for collecting and deducting the tax on the payments they effect on behalf of their share- or bondholders. As a result, taxes on dividends are withheld each time by different entities with their own tax procedures and documentation requirements, even though they follow the same tax regulations. As a consequence, the custodians experience difficulties in agreeing on one standard tax procedure with their clients, as there is no common agreement among the issuers on the set of documents required for relief at source and their validity. Such a model also impacts the tax reclaims, as they are dealt with by different tax offices (the rule is that the reclaim is examined by the tax office covering the entity that paid the income).

Under the revised tax regulation, issuers will no longer deduct the tax on dividends or interest payments. They will pay the gross amount of income to the custodians, who will deduct the tax before the payment is credited to the taxpayer's account. This means that the determination of the tax rate will occur on the custodian level. The custodians will become responsible for the proper calculation of taxes on all dividend and interest payments effected through the accounts with them. For clients of local custodians this change will have two consequences – one tax procedure, including standardised documentation requirements agreed upon with their local custodian, and no requests for additional documentation during the year.

The other change that may positively impact non-resident clients concerns the validity of tax certificates provided by taxpayers. The existing tax regulations do not contain any provision on the validity of tax certificates. As a result there were different opinions and policies on the market on the validity of tax certificates that do not specify the period they cover (i.e. the ones containing the issue date only).

Some market participants claimed that such certificates confirm the tax status on the issue date only, thus cannot be accepted for payments effected after the issue date. Some other participants accepted such certificates as valid till the end of the calendar year. There were also entities, including Bank Pekao, which accepted such certificates for income payments effected for 12 months from the issued date. As a result the same certificate was accepted by one issuer and rejected by the other. In the draft of amendments this issue has been formally clarified.

The tax certificates which do not specify the period they cover will be treated as valid for one year from the issue date, however, the taxpayer will be obliged to inform its local custodian in case of any change of residency if it impacts the validity of the tax certificate provided.

Impact on investors

Once the revised tax regulations are approved by the Parliament, investors may expect that taxes on all income payments will be processed by one entity (their local custodian) and in accordance with the procedure agreed upon with the custodian. The changes shall be effective on 1 January 2015.

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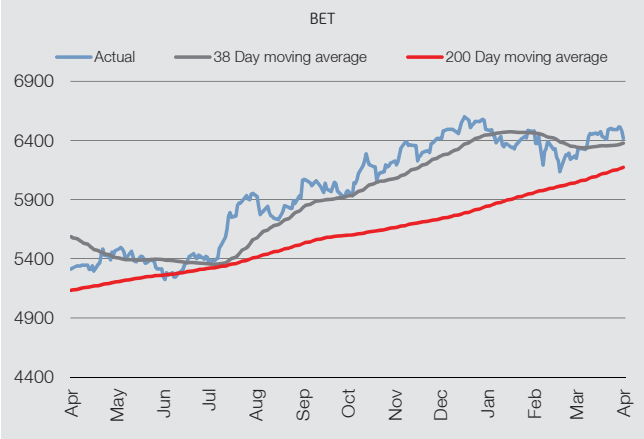
ROMANIA

Market Capitalisation	RON 128bn
YTD Dev. of Market Capitalisation	28%
Number of SE Transactions p.m.	75,409
YTD Dev. of SE Transactions	-1.9%
SE Turnover (Bucharest SE)	RON 771mn
Monthly Index Performance (BET/BSE)	-1.7%
GDP per Capita (2014 in EUR)	8,069
GDP Real 2014 (Change against prev. year in%)	4.5
3-Month Money Market Rate (current in%)	2.80
Inflation in 2014 (yearly average in%)	3.6
EUR/RON	4.45
Upcoming Holidays	May 1

Source: UniCredit, National Statistics



Source: Thomson Datastream

Bucharest Stock Exchange to eliminate market fragmentation

Starting on 28 April 2014, new block sizes will be available for most of the shares traded on the regulated and Rasdaq market segments of the Bucharest Stock Exchange (BSE) under main market and negotiated deals market.

The block sizes for the REGS/DEALS market for shares that will be applied starting on 28 April have diminished.

Impact on investors

Bucharest Stock Exchange aims to stimulate liquidity by abolishing the market fragmentation.

Bucharest Stock Exchange to introduce "Trading at last"

The Financial Supervision Authority ("FSA") has approved through decision no. 123, issued on 11 April 2014, changes to the Bucharest Stock Exchange Rulebook in order to support the introduction of a new trading stage called "Trading at last."

This newly introduced stage will permit the execution of on-exchange transactions at stable prices, meaning the last auction closing price. This is applicable to shares and rights traded on the regulated spot market. The "Trading at last" stage will run after the closing auction and will last ten minutes.

Impact on investors

For information purposes only.

Bucharest Stock Exchange – new trading schedule

Starting as of 5 May, the Bucharest Stock Exchange will implement an extended trading programme for the regulated market:

Shares and unit funds

Market (CODE)	Market status						
	Pre-Open	Opening	Continuous trading (Open)	Pre-Close	Closing	Trading at last	Closed
Regular (REGS)	09:30 – 09:45	9:45	09:45 – 17:45	17:45 – 17:50	17:50	17:50 – 18:00	18:00
Deal (DEALS)	N/A	N/A	09:45 – 17:45	N/A	N/A	N/A	17:45
Odd Lot (ODDS)	N/A	N/A	09:45 – 17:45	N/A	N/A	N/A	17:45
Regular International (RGSI)	09:30 – 09:45	9:45	09:45 – 17:45	17:45 – 17:50	17:50	17:50 – 18:00	18:00
Deal International (DLSI)	N/A	N/A	09:45 – 17:45	N/A	N/A	N/A	17:45
Unlisted (UNLS)	09:30 – 09:45	9:45	09:45 – 16:40	N/A	N/A	N/A	16:40
Public Offers (POF, POFR, POFS)	10:00 – 14:30	N/A	N/A	N/A	N/A	N/A	14:30
Special Operations (POFSV)	10:00 – 14:30	N/A	N/A	N/A	N/A	N/A	14:30

Bonds

Market (CODE)	Market status						
	Pre-Open	Opening	Continuous trading (Open)	Pre-Close	Closing	Trading at last	Closed
Regular – Bonds (ORDB)	N/A	N/A	11:00 – 15:00	N/A	N/A	N/A	15:00
Deal (DEALS)	N/A	N/A	11:00 – 15:00	N/A	N/A	N/A	15:00
Regular – Government securities (REGT)	09:30 – 09:45	09:45	09:45 – 16:40	16:40 – 16:45	16:45	N/A	16:45
Deal – Government securities (DLST)	N/A	N/A	09:45 – 16:40	N/A	N/A	N/A	16:45
Unlisted (UNLB)	N/A	N/A	11:00 – 15:00	N/A	N/A	N/A	15:00
Public Offers (POF, POFR, POFS)	10:00 – 14:30	N/A	N/A	N/A	N/A	N/A	14:30

Rights

Market (CODE)	Market status						
	Pre-Open	Opening	Continuous trading (Open)	Pre-Close	Closing	Trading at last	Closed
Regular Rights (ORDR)	09:30 – 09:45	09:45	09:45 – 17:45	17:45 –17:50	17:50	17:50 – 18:00	18:00
Deal Rights (DEALR)	N/A	N/A	09:45 – 17:45	N/A	N/A	N/A	17:45
Regular Rights International (ORDRI)	09:30 – 09:45	09:45	09:45 – 17:45	17:45 –17:50	17:50	17:50 – 18:00	18:00

Impact on investors

Bucharest Stock Exchange to extend trading hours.

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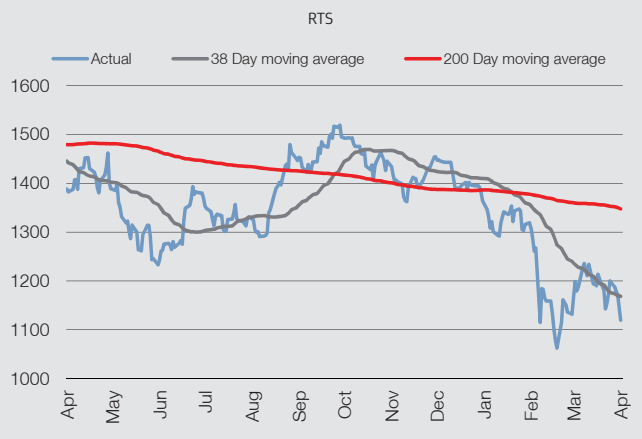
RUSSIA

Market Capitalisation	RUB 23.4trn
YTD Dev. of Market Capitalisation	-0.4%
Number of SE Transactions p.m. (MICEX)	13,068,263
YTD Dev. of SE Transactions	83.0%
SE Turnover (MICEX)	RUB 16.8trn
Monthly Index Performance (MICEX)	-0.2%
GDP per Capita (2014 in EUR)	11,476
GDP Real 2014 (Change against prev. year in%)	3.6
3-Month Money Market Rate (current in%)	9.00
Inflation in 2014 (yearly average in%)	5.7
EUR/RUB	49.98
Upcoming Holidays	May 1-4, 9-11

Source: UniCredit, National Statistics



Source: Thomson Datastream

Moscow Exchange launches Russian Volatility Index

Starting from 16 April 2014, the Moscow Exchange began calculating and publishing a new Russian market volatility index (RVI Index).

The index allows the estimation of Russian market volatility and broadens the financial opportunities for traders, hedgers, and institutional investors.

The main principles of RVI Index calculation are as follows:

- The index gives 30 day volatility values;
- The index calculations are based on two series of options on RTS Index futures, 1) the nearest and 2) the following quarterly or monthly (not weekly) series, with more than seven days to expiration inclusively;
- The index includes quotes for the futures, which are the base for options of the nearest and following series;
- In the case that there are no quotes and no trading, the theoretical option price determined on the basis of the futures quote and volatility curve at the time of calculation can be used to calculate the index;
- The index is calculated every 15 minutes during the main and evening trading sessions of the Derivatives Market of the Moscow Exchange (from 10:00 to 6:45 pm MSK and from 7:00 to 11:50 MSK).

Also the Moscow Exchange will continue publishing the existing RTSVX index.

Impact on investors

The RVI Index should contribute to a better estimation of the Russian market volatility and enhance financial possibilities for investors.

Russian Government plans offshore capital amnesty

The Russian government is discussing plans to grant amnesty for capital that may return to the country from offshore zones. This measure might apply not only to foreign cash, but to securities as well.

Two methods of capital amnesty are proposed by economists:

- Partial amnesty: if the taxpayer agrees to return the funds back into Russia, he will be exempt from penalties and fines for tax evasion, as well as from criminal punishment. But in this case the taxpayer should pay its tax to the Russian tax bodies;
- Full amnesty: for taxpayers bringing their funds back into Russia. This variant is more preferable for the Russian Government. It shall not apply to incomes of criminal origin, which are not to be legalised under any circumstances.

The above mentioned measure is a complement to the Russian Finance Ministry's plan on de-offshorisation of the Russian economy, drafted after Russian President Vladimir Putin issued the relevant instructions late last year.

Tax amnesty should be implemented together with the Law on foreign-controlled companies (CFC) prepared by the Ministry of Finance. The Law would oblige foreign companies owned by Russian legal entities or individual persons by more than 10 % to pay Russian taxes from their retained earnings.

Impact on investors

The planned capital amnesty may become a new step to improve the investment climate in Russia.

Dividend pay-out ratio for state-owned banks and companies can be reduced

The Economic Development Ministry of the Russian Federation discusses possible reduction of the dividend payout ratio for state-owned banks and companies.

Currently all state-owned companies pay 25% of dividends on the Russian Accounting Standards (RAS).

Due to the present macroeconomic conditions the planned transfer of state-owned companies on the payment of 35% of dividends to International Financial Standards (IFRS) can be delayed.

The difference between profit under IFRS and RAS is quite significant: in the first case the data of subsidiaries of state-owned companies and their affiliates is taken into account as well. As a result, if the transition to IFRS does not occur, state-owned companies will save RUB 130 billion over three years.

Impact on investors

Investors may receive fewer dividends than originally proposed in the short-term but the possible reduction of the dividend payout ratio for state-owned companies will allow increasing economic growth in Russia in the long-term.

NSD conducted annual emergency testing

The National Settlement Depository (NSD), which has the status of the Central Securities Depository of the Russian Federation, has conducted its annual emergency testing aimed to notify members of the Emergency Management Committee, a collegial body of NSD authorised to coordinate its departments and employees in emergency conditions.

During this test, 91% of all NSD employees were informed by a cascade method of outgoing calls within 1 hour 32 minutes. Thus the annual emergency testing was recognised as successful.

Impact on investors

For information purposes only.

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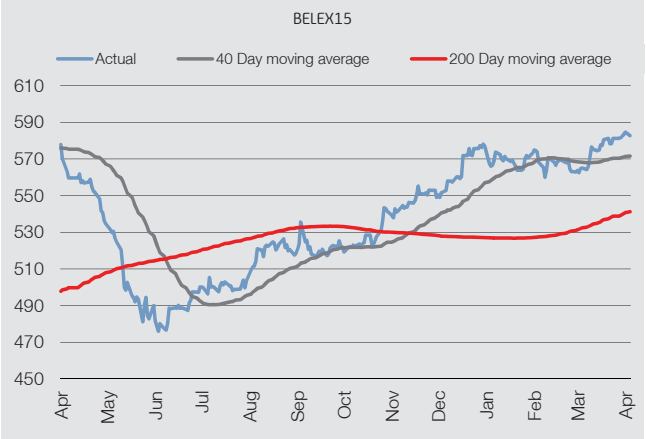
SERBIA

Market Capitalisation	RSD 774.2bn
YTD Dev. of Market Capitalisation	-0.3%
Number of SE Transactions p.m.	30,119
YTD Dev. of SE Transactions	41.9%
SE Turnover (Belgrade SE)	RSD 1.0bn
Monthly Index Performance (Belex 15)	-0.7%
GDP per Capita (2014 in EUR)	5,871
GDP Real 2014 (Change against prev. year in%)	3.0
3-Month Money Market Rate (current in%)	7.90
Inflation in 2014 (yearly average in%)	5.7
EUR/RSD	115.64
Upcoming Holidays	May 1, 2

Source: UniCredit, National Statistics



Source: Bloomberg

Standard & Poor's affirms Serbia's credit ratings

Standard & Poor's Ratings Services (S&P) has affirmed its long- and short-term foreign and local currency sovereign credit ratings on Serbia at "BB-/B", below investment grade with a negative outlook as the country's public finances remain a concern.

The outlook remains negative, reflecting the S&P view that there is at least a one-in-three chance that they could lower the ratings within the next 12 months if the Serbian government does not implement policies that will stabilise the debt burden. Regarding the S&P, improvement of tax collection to rein in the fiscal gap and public debt has to be a priority. Also, Serbia has to work on changes to the labor market, business environment, and public administration.

However, S&P is concerned about whether Serbia will sign a new agreement with the International Monetary Fund.

S&P believes that the general government deficit will rise to 6.9% of GDP in 2014, given that most consolidation measures will not start to take effect until 2015. For 2015–2017, S&P forecasts an average deficit slightly above 4% of GDP.

Impact on investors

For information purposes only.

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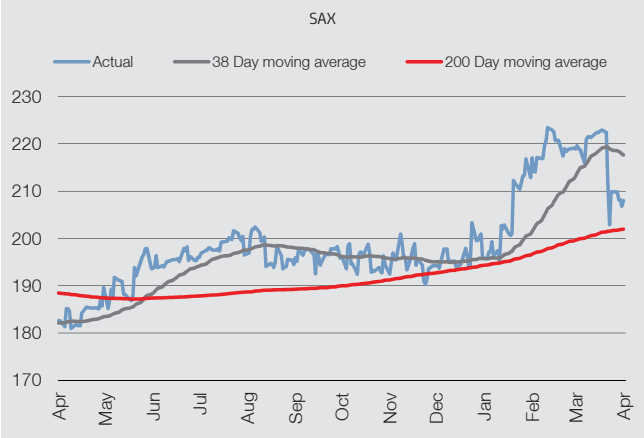
SLOVAK REPUBLIC

Market Capitalisation	EUR 40.5bn
YTD Dev. of Market Capitalisation	-0.9%
Number of SE Transactions p.m.	965.0
YTD Dev. of SE Transactions	-27.6%
SE Turnover (Bratislava SE)	EUR 0.8bn
Monthly Index Performance (SAX/BSSE)	-0.2%
GDP per Capita (2014 in EUR)	15,454
GDP Real 2014 (Change against prev. year in%)	4.7
3-Month Money Market Rate (current in%)	n.a.
Inflation in 2014 (yearly average in%)	3.3
Upcoming Holidays	May 1, 8

Source: UniCredit, National Statistics



Source: Thomson Datastream

Trading results on Bratislava Stock Exchange in March 2014

In March this year, the members of the Bratislava Stock Exchange (BSSE) used the electronic trading system during 21 business days. A total of 965 transactions were concluded in this period, in which 694,006,755 units of securities were traded and the achieved financial volume totalled EUR 815.422 million. In comparison to the previous month it is a decrease in the amount of traded securities (-5.54%), with a 0.16% increase of the total financial volume and a 27.55% decrease in the number of concluded transactions. The number of transactions fell on a year-on-year basis by 52.25%, whereas the amount of traded securities rose by 35.52% and the achieved financial volume increased by 41.55%.

Similar to previous periods, negotiated deals again dominated over electronic order book transactions (i.e. price-setting deals) with the former accounting for 97.81% of the total trading volume. A total of 183 negotiated deals (in a volume of EUR 797.566 million) were concluded in March 2014, as opposed to 782 electronic order book transactions (in a financial volume of EUR 17.856 million).

Investors last month continued to concentrate on debt securities, as bond transactions generated 99.72% of the achieved volume. A total of 519 bond transactions were concluded in the period under review, in which 693,873,540 units of securities changed hands and the financial volume exceeded EUR 813.128 million.

Transactions concluded by non-residents in March 2014 accounted for 79.02% of the total trading volume.

The SAX index ended the month under review at 216.61 points, representing a 0.21% decrease on a month-on-previous-month basis and a 29.15% increase year on year.

Impact on investors

For information purposes only.

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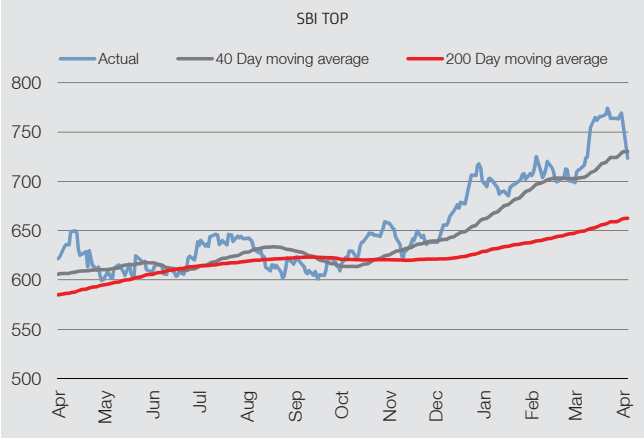
SLOVENIA

Market Capitalisation	EUR 18,869mn
YTD Dev. of Market Capitalisation	11.2%
Number of SE Transactions p.m.	5,269
YTD Dev. of SE Transactions	10.5%
SE Turnover (Ljubljana SE)	EUR 38,730mn
Monthly Index Performance (SBI TOP)	3.6%
GDP per Capita (2014 in EUR)	21,266
GDP Real 2014 (Change against prev. year in%)	2.5
3-Month Money Market Rate (current in%)	0.31
Inflation in 2014 (yearly average in%)	2.4
Upcoming Holidays	May 1, 2

Source: UniCredit, National Statistics



Source: Thomson Datastream

Spring forecast for 2014

The spring forecast of the Bank of Slovenia and the Institute of Macroeconomic Analysis and Development (IMAD) are significantly more positive than the autumn forecast. Robust export growth and an upswing in investments, in addition, had a positive impact on the GDP growth Q4 2013 which was positive for the first time after eight quarters.

Reduced uncertainty in the international environment and at home is a solid ground for the expected increase of GDP in 2014. Decline of employment and domestic consumption is predicted also for year 2014 but smaller than in past year **Impact on investors**: For the first time in years we expect an increase in GD and a smaller decline in the local consumption and employment which could mean that Slovenia hit the crises bottom in 2013.

Macroeconomic scenario	2013	2014 Forecast	
		Bank of Slovenia	UMAR IMAD
GDP growth	-1,10%	0,60%	0,50%
Inflation-average	1,90%	0,50%	0,30%
Current account/GDP%	6,50%	7,10%	6,90%
Export %	2,90%	2,80%	4,20%
Import %	1,30%	1,50%	3,50%
Domestic consumption	-2,50%	-0,60%	-0,40%
Employment	-2,00%	-1,10%	-0,40%

Impact on investors

For information purposes only.

Successful government bond issues

In April, Slovenia successfully returned to the EUR debt capital markets with a EUR 2 billion dual-tranche transaction after a 3 years hiatus. The new Slovenian Government bonds, with a size of EUR 1 billion each and matures 9 October 2017 and 8 2021 were priced with coupons of 1.75% and 3% respectively and spreads of 115bp and 173bp over mid-swaps.

Total excess of orderbook was over EUR 9.5 billion with over 530 accounts. Fund managers were main drivers with more than 50% of allocations, followed by central banks and official institutions with a share of more than 20%. Investors from Germany, Austria and Switzerland bought 30% of issue and UK and Asian investors, 15% each.

Impact on investors

Republic of Slovenia after a three year absence from the Euro-market successfully issued two bonds which are a new opportunity for investment on the Slovene financial instruments market.

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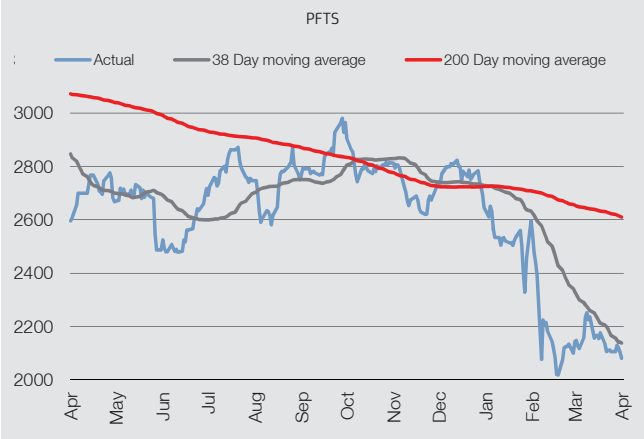
UKRAINE

Market Capitalisation (UX)	UAH 188.5bn
YTD Dev. of Market Capitalisation (UX)	28.9%
Number of SE Transactions p.m. (UX)	25,020
YTD Dev. of SE Transactions (UX)	-5.2%
SE Turnover (UX)	UAH 0.5bn
Monthly Index Performance (UX)	-8.9%
GDP per Capita (2014 in EUR)	5,292
GDP Real 2014 (Change against prev. year in%)	4.6
3-Month Money Market Rate (current in%)	18.00
Inflation in 2014 (yearly average in%)	7.3
EUR/UAH	16.02
Upcoming Holidays	May 1, 2, 9

Source: UniCredit, National Statistics



Source: Thomson Datastream

Ukrainian government plans to issue VAT bonds

The government of Ukraine plans the third issue of VAT government domestic loan bonds that will cover the debt on VAT refunding. The issue conditions could be similar to those used when VAT bonds were issued in 2004 and 2008.

"As for the instrument: I opposed T-bills, which were non-transparent, I only supported government domestic loan bonds, which are to be issued on the transparent conditions at the interest rate guaranteed by the state, and they could be used as collateral when receiving loans at commercial banks and refinancing loans at state banks," Ukrainian Prime Minister Arseniy Yatseniuk said at a briefing on Wednesday. "I think that the conditions will be [the same] as those when bonds were issued in 2008 and 2004."

As reported, the first VAT-bonds worth UAH 1.93 billion were issued in 2004 in line with the law on the national budget for the period of five years. They were divided into two Series: Series I for the debt formed as of 1 November 2003 and non-refundable until 1 January 2004 and Series II – for the debt formed as of 1 June 2004 and non-refundable until 11 July 2004.

The interest rate is 120% of the average discount rate of NBU and the partial depreciation of 20% of the face value is foreseen.

In late 2008, the possibility of issuing VAT-bonds was stipulated in amendments to the law on the national budget for 2008. The parameters of the issue were the same as the debut issue. However, the bonds were not actually issued.

Impact on investors

The local financial instruments diversified.

National Bank of Ukraine determines exchange rate under new rules

The National Bank of Ukraine (NBU) introduced new rules to set the official forex rate; under which the official forex rate of the hryvnia against foreign currencies should be calculated as the average weighed rate of the ask and bid prices for the current business day on the basis of data of deals concluded on Ukraine's interbank forex market.

Under the new rules, the official forex rate shall be effective "as of the day it has been fixed," whereas earlier it became effected "the next business date after it was fixed."

The rate fixed for 4 April 2014, is the weakest one both against the U.S. dollar and the euro.

The former NBU top management decided, on 7 February 2014, to let the official forex rate, which had been keeping at the same level – UAH 7.993 per U.S. dollar – for long, follow the market one, being UAH 8.708 per U.S. dollar.

Impact on investors

For information purposes only.

Moody's downgraded Ukraine's government bonds rating

Moody's Investors Service has, on 4 April 2014, downgraded Ukraine's government bond rating to Caa3 from Caa2.

According to the Agency, the downgrade is driven by the factors, which exacerbate Ukraine's more longstanding economic and fiscal fragility; among them, escalation of Ukraine's political crisis, withdrawal of Russian financial support and a rise in gas import prices, decline in Ukraine's fiscal strength etc.

The outlook on the Caa3 rating is negative.

Impact on investors

For information purposes only.

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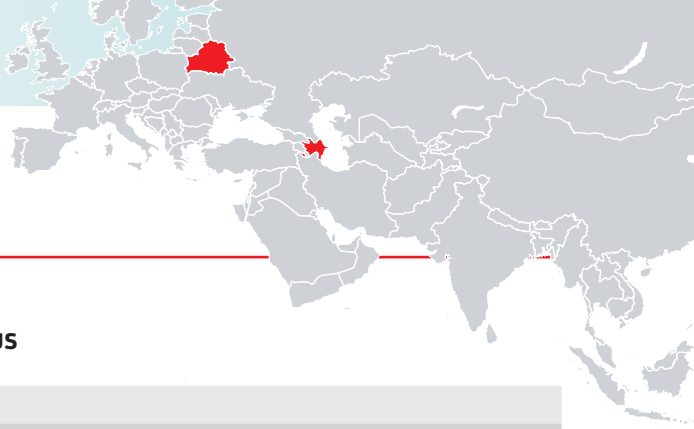

AZERBAIJAN · BELARUS

Azerbaijan

First overseas government bond placement

Starting from March 2014, the government bonds of the Republic of Azerbaijan, which successfully passed through the first–ever overseas initial placement, are available for trading to foreign investors in the international stock exchanges.

The issue of ten–year government bonds, totaling USD 1.25 billion, was successfully allocated with 5% profitability among institutional investors. As an expression of investors' interest, demand for the state securities of the Republic of Azerbaijan was higher than supply by four times and attracted institutional investors from over 160 countries. According to their locations, the majority of investors were from the US (47%), the United Kingdom (25%), Germany (18%) and other countries (10%), including Singapore, Israel, etc.

Impact on investors

International allocation of government bonds is a next step towards Azerbaijan capital markets integration in the global economy.

Belarus

Market Capitalisation	BYR 15.0tr
YTD Dev. of Market Capitalisation	n.a.
Number of SE Transactions p.m. (BCSE)	637
YTD Dev. of SE Transactions	-10.5%
SE Turnover (BCSE)	BYR 2,865.9bn
Monthly Index Performance (BCSE)	-3.83%
GDP per Capita (2013 in EUR)	364
GDP Real 2013 (Change against prev. year in %)	98.40
3-Month Money Market Rate (current in %)	n.a.
Inflation in 2013 (yearly average in %)	1.3
BYR/EUR	0.00007
Upcoming Holidays	May 1, 9

Source: UniCredit, National Statistics

AML legislation update

On 11 April 2014 the Upper House of Belarus Parliament adopted amendments to the Anti-Money Laundering Law.

Provisions of the Law empower Belarus banks and non-bank financial institutions to:

- suspend the execution of suspicious financial operations up to two working days and to decide on further execution of such operations or reject them;
- refuse to perform the suspicious financial operations;
- notify a financial operation participant of its suspension or refusal with indication of motivated grounds.

Banks will not carry the responsibility for any moral and material losses caused as a result of such decisions.

Suspicious operations are determined on the basis of more than 50 criteria. The list of criteria is elaborated by the National Bank of Belarus and will be extended in the future.

Impact on investors

Changes in the Belarus AML legislation aim to strengthen regulatory control in the financial market.

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KAZAKHSTAN

Direct Market Access to Kazakhstan Stock Exchange

New rules of direct market access (DMA) to the Kazakhstan Stock Exchange (KASE) regulating on-exchange trading access came into force in Kazakhstan.

Effective from February 2014, securities market participants are granted direct access to the exchange via the complex system, DMA, which enables a broker to conclude deals in the name of DMA clients on KASE, based on electronic client orders.

The implementation of the new Rules has the following benefits for investors:

- Remote working places;
- On-line update of the market information;
- Electronic filling in and submission of clients' orders;
- On-line order status update;
- Reduction of order performance period;
- Minimisation of operational risks.

Impact on investors

The new DMA rules bring internet trading in Kazakhstan in line with the best international practices.

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